

CROMPTON & KNOWLES LOOM WORKS

Annual Report, 1946





CROMPTON & KNOWLES LOOM WORKS

EXECUTIVE OFFICES

WORCESTER, MASS.

To our Stockholders:

The Corporation's financial position as of December 31, 1946 is presented herein, condensed from the certified report of Peat, Marwick, Mitchell & Co., our Auditors. A comparative statement as of December 31, 1945 is also shown.

The inventories are valued at the lower of cost or market, as in previous years. Government securities are carried at their par value and investments in Subsidiaries and Other Corporations at book value.

After payment of the usual dividend of \$6.00 per share on Preferred Stock amounting to \$145,782.00, there was available for the Common Stock \$675,850.10, equivalent to \$2.87 per share. There were paid during the year dividends on the Common Stock of \$2.00 per share, amounting to a total of \$471,768.00.

The net increase in Surplus during the year was largely the result of additions of undistributed 1946 profits, the restoration to Surplus of reserves of \$460,000 set aside out of prior years' profits to cover expenditures for contingencies and post-war reconstruction, and the deduction out of 1946 earnings of \$200,000 allocated for the further cost on Plant Improvement Programs still going on. The reduction in cash and Government securities is the result of the substantial investments in the Plant Account and a substantial increase in inventory, consisting principally of raw materials.

During the year we adopted a Group Insurance Plan covering all employees, with death, dismemberment, sickness and surgical benefits.

For some time your Directors have felt that Social Security payments to retired employees were inadequate to provide for a satisfactory standard of living, in the light of present living costs, and that these should be supplemented by a Retirement Pension from the Company.

After considerable study there was worked out and adopted in December 1946, a non-contributory Pension System. This system consists of three parts: 1. A Direct Pension Plan under which payments will be

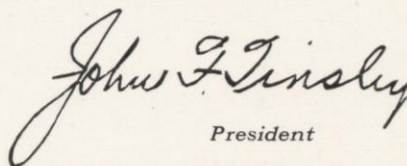
made by the Company to all employees, including officers, eligible under the terms of the Plan, which would yield on an established formula a minimum of \$300 and a maximum of \$600 a year. 2. A non-contributory insured Employees' Retirement Plan applicable to employees earning \$3000 or more and now under 65½ years of age who are otherwise eligible under the Plan. 3. A Plan to give to employees now 65½ years of age, ineligible under the Employees' Retirement Plan solely because of age, benefits on retirement substantially equivalent to what they would receive on retirement were they eligible under the Employees' Retirement Plan.

Payments under these Plans when integrated with Social Security benefits will yield pensions up to 60% of the annual earnings of lower-paid employees and from 37% to 30% for higher-paid employees, with a maximum pension of \$6400.00 per year. The Employees' Retirement Plan has been submitted to the United States Treasury Department which has ruled that it is a tax-exempt Plan under Section 165 (a) of the Internal Revenue Code.

While we were able to increase production in 1946, as a whole the year was a most difficult one from an operating standpoint. The labor situation itself was unsatisfactory in that the supply of competent operatives was exceedingly limited. Strikes prevalent in the basic industries of the country, especially in coal, steel and other essential industries, resulted in a scarcity of essential raw materials. A rising scale of wages adversely affected operating margins of profit. These and Government priorities to the housing industry seriously interfered with production schedules. There has been some improvement in the availability of essential raw materials in the first quarter of 1947.

Work on the Plant Improvement Program started in 1945 was continued at a total expenditure of approximately \$1,115,000.00. It is hoped that this program can be completed in 1947. We believe that this program when completed will make possible more efficient and economical operations in the future.

We have a substantial back-log of orders and, generally speaking, we face better prospects in 1947 than for the past few years.


President

Worcester, Mass.
April 15, 1947

CROMPTON & KNOWLES LOOM WO

Balance Sheet

Assets	December 31	
	1946	1945
Current Assets:		
Cash	\$892,635.43	\$986,256.55
U.S. Government, state and municipal bonds at face value. (This includes \$850,000.00 allocated to cover various advance payments on Loom Orders.)	1,207,000.00	1,840,000.00
U.S. Savings Bonds, issuing agency account	23,118.75	31,218.75
Notes and Accounts Receivable, less reserve	1,389,865.52	978,032.09
Inventories at lower of cost or market	4,197,389.03	3,305,454.54
	7,710,008.73	7,140,961.93
Claim for refund of Federal taxes on income	65,901.00	103,610.78
Investments in subsidiaries and other corporations at book value	261,001.00	230,006.00
Treasury Stock—2311 Shares Preferred at par	231,100.00	231,100.00
Land, Building, Machinery, Equipment, Patterns, etc., less reserve for depreciation	5,057,363.78	4,187,178.20
Patents and Patent Rights	1.00	1.00
Deferred Charges	115,260.45	75,111.01
	<u>\$13,440,635.96</u>	<u>\$11,967,968.92</u>
 <i>Liabilities</i>		
Current Liabilities:		
Accounts Payable	\$446,952.70	\$333,221.70
Advance payments on loom orders (invested in U.S. Government securities in 1946 \$850,000.00)	852,101.28	170,860.42
Accrued payrolls, taxes, etc.	311,821.65	214,030.52
Provision for Federal Taxes on income	560,000.00	213,178.05
Dividends payable	36,445.50	154,387.50
Balance due under Employees' Retirement Fund attributable to 1946	29,000.00	—
	2,236,321.13	1,085,678.19
Reserve for Plant Improvement Programs	200,000.00	—
Reserve for Contingencies and Post-War Reconstruction	—	460,000.00
Capital Stock:		
6% cumulative preferred capital stock of \$100.00 par value per share, callable at \$102.50 per share plus accrued dividends.		
Authorized and issued 26,608 shares (including 2,311 shares acquired and held in treasury)	2,660,800.00	2,660,800.00
Common capital stock, no par value:		
Declared value \$25.00 per share.		
Authorized and issued 235,884 shares	5,897,100.00	5,897,100.00
Earned Surplus	2,446,414.83	1,864,390.73
	<u>\$13,440,635.96</u>	<u>\$11,967,968.92</u>

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Directors

GEORGE CROMPTON	Worcester, Mass.
RUFUS S. FROST	Worcester, Mass.
MABEL KNOWLES GAGE	Worcester, Mass.
EDWARD F. GREEN	Worcester, Mass.
FREDERIC W. HOWE, JR.	Worcester, Mass.
CHARLES E. KINKADE	Boston, Mass.
LUCIUS J. KNOWLES	Boston, Mass.
ALBERT PALMER	Worcester, Mass.
HENRY FRANK PHELPS	Philadelphia, Pa.
CHARLES STETSON	Boston, Mass.
JOHN F. TINSLEY	Worcester, Mass.
IRVING H. VERRY	Worcester, Mass.
FRANCES KNOWLES WARREN	Boston, Mass.
HAROLD R. WING	Worcester, Mass.

Officers

JOHN F. TINSLEY	<i>President and General Manager</i>
IRVING H. VERRY	<i>Vice-president and General Sales Manager</i>
RUFUS S. FROST	<i>Vice-president and Treasurer</i>
FREDERIC W. HOWE, JR.	<i>Vice-president and Assistant Sales Manager</i>
ALBERT PALMER	<i>Vice-president</i>
ALBERT W. MUIR, JR.	<i>Assistant Treasurer</i>
RUFUS S. FROST	<i>Clerk</i>

CROMPTON & KNOWLES LOOM WORKS

WORCESTER, MASS.

Allentown, Pa. - Philadelphia, Pa. - Charlotte, N. C. - Crompton & Knowles Jacquard & Supply Co., Pawtucket, R. I.

